

FUND 506

HEALTH BENEFITS TRUST FUND

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2001 Advertised Budget Plan, as approved by the Board of Supervisors on April 24, 2000:

- The Board of Supervisors made no changes to the FY 2001 Advertised Budget Plan.
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County Executive Proposed FY 2001 Advertised Budget Plan



Agency Overview

Fairfax County Government offers its employees and retirees two health insurance alternatives. The first is a self-insured alternative including FairChoice+ (a dual option managed care plan through Blue Cross/Blue Shield (BC/BS) of the National Capital Area) and Blue Cross/Blue Shield Out-of-Area for those employees and retirees who live outside of the FairChoice+ network area. The second alternative includes vendor administered Health Maintenance Organizations (HMOs). As of June 30, 2000, the current HMO contracts expire. Beginning in late 1999, a selection advisory committee was formed to review proposed HMOs for the period beginning July 1, 2000. Final decisions will be made in the spring of calendar year 2000.

The County's current health insurance plan design is a result of revisions enacted in FY 1997. The current plan includes a dual option managed care plan, HMO options providing choices and competitive premium rates, and sharing of excess retiree costs to make the County a single risk pool. Currently, employees are evenly split among enrollment in self-insured plans and HMOs. For the self-insured plans, the County pays only for claims and an administrative fee and receives the employee and employer premiums in Fund 506, Health Benefits Trust Fund.

In FY 2001, a number of administrative plan adjustments will be enacted for all County health plans. These include a change to calendar year enrollment and a change to "in the month/for the month" premium payments. The County health insurance plans will all convert to calendar year enrollment beginning January 1, 2001. The proposed change is based on the decision to place the County open enrollment on the same cycle as other local employers, including the Fairfax County Public Schools and the Federal government. It is intended that this change will allow County employees with spouses employed by these other employers to make comprehensive decisions about their health care options. As a result of this change, the County will enter into an 18-month contract with Blue Cross/Blue Shield to bridge the conversion from fiscal year to calendar year. Additionally in FY 2001, the County's health insurance plans will implement "in the month/for the month" premium payments. This revision allows employees to join health insurance plans the first month that they pay premiums without the current waiting period. Conversely, it also means that employees will be removed from the plan at the end of the last month they pay premiums rather than remaining in the plan until the end of the following month. It should be noted that based on this administrative change, no deductions for the month of June will be taken for all County employees.

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Expenditures in Fund 506 are based on actual claims paid and administrative fees paid to BC/BS. After nearly a decade of slow medical cost growth, spending for health care has been increasing in recent years. Nationwide, the slowdown in cost growth in the early and mid 1990s due to the implementation of managed care, the price competition which consequently developed among health plans, and one-time significant decreases in physician and hospital allowances fees, is no longer the case. The County health care experience has closely mirrored the national trend. Increased utilization and rising costs of prescription drugs are also factors in escalating costs. Consequently, medical claims expenditures for FY 2001 for the County are based on a projected nationwide medical cost growth factor of ten percent.

As a result of the projected increase in claims paid and administrative fees for FY 2001 and the cumulative effect of expenditure increases, the County's self-insured plan will raise premiums by 15.0 percent in FY 2001. The 15.0 percent increase in premiums results in a monthly increase of \$4.44 for those employees enrolled as an individual in Fairchoice+. In addition, the impact on those employees enrolled under the family plan in Fairchoice+ results in a monthly increase of \$21.13 for employees. It should be noted that the County continues to contribute 85 percent of the total premium for employees enrolled as an individual and 75 percent of the total premium for employees enrolled under the family plan. Due to anticipated increases in health care costs over the next few years, premiums are projected to continue to rise, based on industry trends that predict that over the next decade health insurance costs will double. The increase in premiums will allow the fund to maintain an ending balance as a percent of premiums of approximately 8.8 percent to ensure that the fund is adequate to support expenditures. It should be noted that an ending balance of 10 to 15 percent of claims paid is targeted based on industry standards.

Revenues for the self-insured plans contained in Fund 506, Health Benefits Trust Fund, are received from health insurance premiums deducted from employees' salaries, retiree paychecks, or paid directly by retirees, employer premiums, and retiree subsidy payments from the HMOs. For General Fund employees, the employer's share is expended from Agency 89, Employee Benefits, while non-General Fund agencies are billed directly for the employer's share.



Funding Adjustments

The following funding adjustments from the FY 2000 Revised Budget Plan are necessary to support the FY 2001 program:

- An increase of \$3,736,181 associated with a 10 percent cost growth assumption and a 25 percent increase in the administrative fee.

The following funding adjustments reflect all approved changes in the FY 2000 Revised Budget Plan since passage of the FY 2000 Adopted Budget Plan. Included are all adjustments made as part of the FY 1999 Carryover Review and all other approved changes through December 31, 1999:

- There have been no revisions to this fund since the approval of the FY 2000 Adopted Budget Plan.

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HEALTH BENEFITS TRUST FUND

FUND STATEMENT

Fund Type G50, Internal Service Funds

Fund 506, Health Benefits
Trust Fund

	FY 1999 Actual	FY 2000 Adopted Budget Plan	FY 2000 Revised Budget Plan	FY 2001 Advertised Budget Plan	FY 2001 Adopted Budget Plan
Beginning Balance	\$6,295,549	\$3,256,515	\$5,082,702	\$2,962,891	\$2,118,358
Revenue:					
Employer Share of Premiums- County Payroll	\$15,258,897	\$16,741,611	\$16,741,611	\$20,239,810	\$20,239,810
Employee Share of Premiums- County Payroll	4,343,825	4,999,624	4,570,259	5,983,034	5,983,034
Employer Subsidy from HMOs	397,988	397,331	397,331	506,124	506,124
Employee Subsidy from HMOs	103,774	103,392	103,392	140,506	140,506
Other Funds Premiums	4,193,492	4,858,748	4,443,580	5,820,783	5,820,783
Interest Income	418,297	600,000	600,000	600,000	600,000
Administrative Service Charge	18,386	11,000	11,000	11,000	11,000
Total Revenue	\$24,734,659	\$27,711,706	\$26,867,173	\$33,301,257	\$33,301,257
Total Available	\$31,030,208	\$30,968,221	\$31,949,875	\$36,264,148	\$35,419,615
Expenditures:					
Benefits Paid	\$24,684,941	\$27,370,830	\$27,370,830	\$30,519,073	\$30,519,073
Administrative Expenses	1,310,497	1,957,972	1,957,972	2,531,044	2,531,044
Cost Containment	42,385	100,000	100,000	100,000	100,000
Incurred but not Reported Claims (IBNR)	(90,317)	402,715	402,715	417,581	417,581
Total Expenditures	\$25,947,506	\$29,831,517	\$29,831,517	\$33,567,698	\$33,567,698
Total Disbursements	\$25,947,506	\$29,831,517	\$29,831,517	\$33,567,698	\$33,567,698
Ending Balance:					
Fund Equity	7,964,749	4,941,249	6,247,653	7,546,865	7,546,865
IBNR	2,882,047	3,804,545	3,284,762	4,019,362	4,019,362
Ending Balance	\$5,082,702	\$1,136,704	\$2,118,358	\$2,696,450	\$1,851,917